

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1672 - SB 2668

February 24, 2018

SUMMARY OF BILL: Eliminates the state sales and use tax of 2.75 percent levied on the sale or use of any single article of personal property that is in excess of \$1,600, but less than or equal to \$3,200. Deletes language allocating the collections of such tax to the General Fund.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$59,107,000

Increase Local Revenue – \$842,100

Assumptions:

- An effective date of July 1, 2018.
- Deleting the single article sales and use tax will result in a recurring loss in state revenue.
- FY16-17 collections of this tax totaled approximately \$56,900,000.
- An estimated growth rate, in the absence of this legislation, of 3.92 percent in FY17-18, and 3.45 percent in FY18-19.
- Collections in FY17-18 will total \$59,130,480 (\$56,900,000 x 103.92%).
- Collections in FY18-19 will total \$61,170,482 (\$59,130,480 x 103.45%). For the purposes of this fiscal analysis, this number is assumed to remain constant into perpetuity under current law.
- A recurring decrease in state revenue exceeding \$61,170,482 in FY18-19 and subsequent years.
- Fifty percent of tax savings, or \$30,585,241 (\$61,170,482 x 50%), will be spent in the economy on other sales-taxable goods and services.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring increase in state sales tax collections is estimated to be \$2,063,528 [(\$30,585,241 x 7%) – (\$30,585,241 x 7% x 3.617%)].
- The recurring increase in local sales tax collections is estimated to be \$842,070 [(\$30,585,241 x 2.5%) + (\$30,585,241 x 7% x 3.617%)].
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$59,106,954 (\$61,170,482 - \$2,063,528).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb